PRIVATIZATION
OF CROWN CORPORATIONS

PROGRESS REPORT
1986-1988

Associate Minister for Finance
and Privatization

October 1988

Québec

Realisation and distribution:
Cabinet of the Associate Minister for
Finance and Privatization

(418) 643-8574

Version française également disponible

Cover design:
Communication Francine Bouchard

© Gouvernement du Québec
Legal deposit - 4th quarter 1988
Bibliothèque nationale du Québec
ISBN 2-550-18972-8

By adopting a Crown corporation reorientation and privatization policy at the beginning of its mandate, the present government demonstrated its desire to carry out the change of direction the electorate had asked for in December 1985.

This will to change meant a new approach to the state's economic role. The government was to intervene as a catalyst rather than as an entrepreneur, its primary duty being to create conditions conducive to the development of private entrepreneurship and initiatives, thus promoting economic growth. This new policy reflected the economic reality of Québec in the 1980s. The review of Crown corporations in the commercial and industrial sector was clearly not a repudiation of Québecers' collective efforts since the Quiet Revolution to gain control of their economy. On the contrary, this policy noted the successful start-up and development of many companies based here in Québec.

With these considerations in mind, the Québec government undertook a program of privatization of Crown corporations more than two years ago for which I was entrusted with responsibility.

This progress report testifies to the achievement of a significant part of the government's coherent action plan concerning commercial and industrial Crown corporations. This policy is the initiative of a responsible government, one that is concerned with the rational use of public funds and with the economic development of our province.

The reader will note that the 21 privatizations carried out since March 1986 have had a very substantial impact on the improvement of Québec's public finances. The magnitude involved can be gauged by observing that the government has obtained almost **$1 billion** from

these privatization transactions. Moreover, the Minister of Finance, Mr. Gérard D. Levesque, pointed out the contribution of the privatization program to the improvement of Québec's public finances, in his Budget Speech of May 12, 1988.

However, the achievements of the privatization program have had an equally important impact on the structure of Québec's economy. The development of entrepreneurship and employment has been particularly encouraged and privatization has enabled many private sector or community initiatives, especially in the regions, to develop to fruition. The privatization of Madelipêche Inc. in the Iles-de-la-Madeleine and of the Société minière Louvem Inc. in Abitibi are prime examples. In each case, the return of the company to the private sector has been a definite boost to the regions involved.

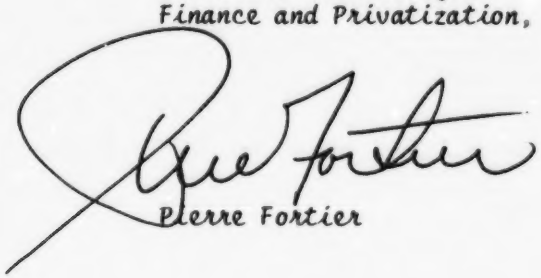
I would like to emphasize that these results have been obtained thanks, in particular, to the effective and sustained cooperation of my colleagues, the ministers involved in each of the privatization transactions. Furthermore, the professional attitude displayed by Québec government officials and the management of the Crown corporations in question also contributed significantly to the success of these transactions.

Finally, the importance of clarifying the orientation and mission of those corporations which the government wishes to retain must be pointed out. In fact, the reorientation of the mission of certain Crown corporations was a significant aspect of the so-called privatization policy. The state's new role as economic catalyst is also reflected at this level. The reorientation of SOQUEM (Société québécoise d'exploration minière) focusing on mining exploration and SGF's (Société générale de financement) new development role, which also applies to Rexfor and SOQUIA (Société québécoise d'initiatives agro-

alimentaires) provide good examples. Now that the government has disposed of certain Crown corporations which are no longer dependent on taxpayers, and reoriented those it has retained, it has improved the conditions for Québec's economic development.

The present government, now that it has regained the financial leeway necessary to assume its social responsibilities, intends to continue with its Crown corporation reorientation and privatization policy in order to achieve the goal shared by the majority of Quebecers: ensuring a strong, competitive Québec economy.

Associate Minister for
Finance and Privatization,



Pierre Fortier

PREFACE 3

INTRODUCTION 11

CHAPTER I: A MAJOR CONTRIBUTION TO IMPROVING PUBLIC FINANCES .. 19

1.1 *1985: Summary of the situation* 19

1.2 *The 21 completed privatizations* 19

1.3 *Value of the transactions* 22

1.4 *Lasting effects* 22

1.5 *Application of the proceeds of the transactions* 23

1.6 *Stock portfolio of Crown corporations* 25

1.7 *Healthier financial position of Crown corporations* 26

CHAPTER II: IMPACT ON QUÉBEC'S ECONOMIC STRUCTURE 29

2.1 *Maturity of Québec's private sector* 29

2.2 *A catalyst for developing entrepreneurship* 31

- *Types of buyers* 31
- *Preference to Québec companies* 32

2.3 *Support for regional development* 34

- *Abitibi: Cambior Inc., Société minière Louvem Inc. and Panofor Inc.* 35
- *Iles-de-la-Madeleine: Madelipêche Inc. and Mines Seleine Inc.* 38
- *The Asbestos region* 40
- *Côte-Nord: Scierie des Outardes Enr.* 42
- *Québecair* 43

TABLE OF CONTENTS

CHAPTER III: REORIENTATION OF CROWN CORPORATIONS: A GREATER CONTRIBUTION TO QUÉBEC'S ECONOMIC DEVELOPMENT 49

3.1 The economic role of the state via Crown corporations 49

3.2 SOQUEM 51

3.3 Société générale de financement 54

3.4 Rexfor 57

3.5 SOQUIA 62

3.6 SOQUIP 65

CONCLUSION 69

APPENDIXES

Appendix 1: Typical procedure for the privatization of a Crown corporation

Appendix 2: Québec government enterprises as at March 31, 1985

Appendix 3: Québec government enterprises as at March 31, 1988

Appendix 4: Value of privatization transactions

Appendix 5: Application of monies or securities received or receivable

Appendix 6: Investments of Crown corporations

INTRODUCTION

Over the past two years, the Québec government has completed 21 privatization operations. These operations were undertaken as part of the government's policy of reorientation and privatization of Crown corporations.

It will be recalled that in February 1986, the Associate Minister for Finance and Privatization released a document laying out the orientations and basis on which the government intended to act under its policy of reorientation and privatization of Crown corporations, as approved by the Conseil des ministres*.

In Privatization of Crown Corporations: Orientation and Prospects, the government proposed a new approach to the state's economic role. It encouraged the privatization of Crown corporations operating in the commercial and industrial sector to make them more efficient and enable them to adapt even more rapidly to changes in the international economy.

However, over and above the immediate goal of returning to the private sector those activities it could carry out more efficiently, privatization also focused on structural objectives to improve and strengthen key sectors of Québec's economy. Essentially, three basic objectives were involved:

- End the hemorrhage of public funds in the case of certain Crown corporations, with a view to improving public finances;

- Strengthen Québec's industrial structure by emphasizing entrepreneurship and the vitality of Québec's private sector;

---

* Decision n° 86-19, February 4, 1986

- Redirect the mission of certain Crown corporations which had achieved their initial mandate.

The document stated six guiding principles to provide a structure for the privatization process and procedure:

- First principle: **a greater role for the private sector**

  The government considered and still believes that the commercial production of goods and services belongs to the private sector, except in extraordinary circumstances justified by the public interest. Moreover, the emergence of a class of Québec entrepreneurs makes this new dynamic a solid option.

- Second principle: **the structural objective takes priority over the financial objective**

  Privatization is not an end in itself. When it must take place, it must be designed first to strengthen Québec's economic structure, while assuring Québec's presence in key economic sectors. Realization of fair market value for the assets transfered must also be considered.

- Third principle: **a pragmatic approach**

  Privatization must be done pragmatically, case by case, and may take place in a great many ways, depending on conditions specific to the corporation and its industrial sector.

- Fourth principle: **recognized rules**

  Privatization is a public process which must comply with the equity and disclosure requirements applying to public companies.

- Fifth principle: **equitable treatment**

  The government must make certain that employees, communities and, if applicable, suppliers are fairly treated as part of any rationalization which proves necessary.

- Sixth principle: **fair, productive competitors**

  Crown corporations that maintain their status will have to operate in accordance with rigorous performance criteria and strict rules designed to provide fair competition in the market.

The application of these six principles constitutes an integrated operation, in spite of the wide variety of Crown corporations. Under the privatization procedure, the Associate Minister for Finance and Privatization, in cooperation with the ministers responsible for the various Crown corporations, directs the privatization exercise through a joint committee, assisted by an advisory committee and a task force. The exercise proceeds in two steps (Appendix 1):

- **Examining the strategic options:** this involves deciding whether to privatize a Crown corporation, modify its status, redirect its activities or maintain the status quo.

- **Execution:** any of the following three options can be applied to a Crown corporation: complete or partial privatization, reorganization followed by privatization, and reorientation.

The Québec government's privatization program as outlined above has been focused mainly on Crown corporations operating in the commercial and industrial sector, excluding Hydro-Québec and Loto-Québec. The Crown corporations covered by the program were:

- Madelipêche Inc.;
- Rexfor;
- RSQ (Raffinerie de sucre du Québec);
- SAQ (Société des alcools du Québec);
- SDBJ (Société de développement de la baie James);
- SÉPAQ (Société des établissements de plein air du Québec);
- SGF (Société générale de financement);
- Sidbec;
- SNA (Société nationale de l'amiante);
- SOQUEM (Société québécoise d'exploitation minière);
- SOQUIA (Société québécoise d'initiatives agro-alimentaires);
- SOQUIP (Société québécoise d'initiatives pétrolières);
- SQT (Société québécoise des transports) - Québecair.

Each corporation was to be examined separately. While the government was implementing its Crown corporation reorientation and privatization policy, an advisory committee on privatization* was given a mandate in

---

* The Advisory Committee on Privatization was made up of Mrs. Diane Marcellin-Laurin, Mr. Roger Beaulieu, Mr. Marcel Bélanger, Mr. Claude Castonguay, Mr. J.V. Raymond Cyr and Mr. Herbert E. Siblin. Mr. Marcel Côté and Mr. Claude Séguin acted as Secretarys to the Committee.

January 1986 by the Prime Minister of Québec to assist the Associate Minister for Finance and Privatization in revising the role and mission of each Québec governement enterprise.

On July 2, 1986, the Advisory Committee on Privatization released its report, De la Révolution tranquille... à l'an deux mille. The report made recommendations which can be grouped under three categories. First, the Committee recommended the government withdraw from the commercial and industrial sectors. Next, it recommended a formal review of the status of seven public monopolies. Finally, concerning sectors in which the government provides subsidies and in which corporations have proliferated, the Committee recommended that alternatives to the Crown corporation format be employed.

The report made a number of interesting points and, in particular, included a number of relevant analyses of the issue of Crown corporations in Québec. The report of the Advisory Committee stimulated debate on this important public issue. It should be emphasized that the privatizations completed since March 1986 were in accordance with the policy presented in February 1986, whose objectives and guiding principles were described in the preceding pages.

This document discusses the 21 privatizations to date from the perspective of the government's policy. The document emphasizes how privatization has contributed to restoring and improving public finances and strengthening Québec's economic structure.

CHAPTER 1

1.1 1985: Summary of the situation

In the document Privatization of Crown Corporations: Orientation and Prospects, the financial position at March 31, 1985, of the 15 commercial and industrial Crown corporations indicated the government's equity (investment and accumulated surplus) in these corporations amounted to more than $7 billion, while their long-term debts totalled $19 billion (Appendix 2). However, when the results of Hydro-Québec are excluded, the net accumulated surplus of $1.2 billion at March 31, 1985, was transformed into an accumulated deficit of some $900 million.

Concerning the profitability of Crown corporations in 1985, their total revenue amounted to close to $8 billion, with a net profit of $319 million, for a profit margin of 4%. However, excluding Hydro-Québec, which is a natural monopoly, while retaining the two fiscal monopolies (SAQ and Loto-Québec) the results were $3 billion and $18,5 million respectively, for a profit margin of 0.5%. In addition, by March 31, 1985, Sidbec, SNA and SDBJ had accumulated net losses of more than $1 billion.

Finally, of the 15 Crown corporations shown in Appendix 2, seven produced a profit, while seven recorded a loss, while SÉPAQ, which had just been formed, had not completed its first fiscal year at March 31, 1985.

1.2 The 21 completed privatizations

Since March 1986, the Québec government has completed and supervised, in whole or in part, 21 Crown corporation privatization operations. These privatizations are concentrated in nine Crown corporations. Table 1 provides an overview of these operations.

Table 1

QUÉBEC GOVERNMENT PRIVATIZATIONS

(March 1986 - March 1988)

CROWN CORPORATION	TRANSACTION	CLOSING DATE
RSQ	Sale of stock to Lantic Sugar Ltd.	September 18, 1986
SOQUEM		
. Cambior Inc.	Sale of assets to Cambior Inc. followed by a public share issue	August 14, 1986
. La société minière Louvem Inc.	Sale of shares (22%) to Ressources Sainte-Geneviève Ltée	November 5, 1987
. Mines Seleine Inc.	Sale of shares to the Canadian Salt Company Ltd.	April 29, 1988
SQT (Québecair)	Sale of shares to shareholders of Nordair-Métro	September 1, 1987
SGF (Donohue Inc.)	Sale of shares (56%) to Mircor (51% held by Québecor Inc.)	July 7, 1987
SOQUIP		
. SOQUIP-Alberta	Sale of assets to Sceptre Resources Ltd.	December 23, 1987
SOQUIA		
. Provigo Inc.	Sale of shares (6.7%) to Unigesco Inc.	March 17, 1986
. J.E. Landry Inc.	Sale of shares (42%) to Provigo Inc.	January 19, 1987
. Pêches Nordiques Inc.	Sale of shares (92%) to Les Fruits de mer de l'Est du Québec Ltée	March 4, 1987
. Société des pêches de Newport Inc.	Sale of shares (39%) to the fishermen	February 8, 1988

Table 1 (cont'd)

QUÉBEC GOVERNMENT PRIVATIZATIONS

(March 1986 - March 1988)

CROWN CORPORATION	TRANSACTION	CLOSING DATE
MADELIPÊCHE INC.		
. Madelipêche Inc.	Sale of shares to Groupe Delaney	November 19, 1987
. Crustacés-des-Iles Inc.	Sale of shares and assets to Groupe Delaney	December 31, 1987
. Grande-Entrée	Sale of assets belonging to Les Crustacés-des-Iles Inc. to Groupe Hubert	August 4, 1987
SNA		
. Distex-SNA Inc.	Sale of shares (50%) to Echlin Inc.	July 17, 1986
. Lupel-SNA Inc.	Sale of shares (100%) to Cascades Inc.	July 30, 1986
. Filaq-SNA Inc.	Sale of shares (66.7%) to Industries 3-R Inc.	February 10, 1988
. Industries 3-R Inc.	Buy-back of shares (30%) by Industries 3-R Inc.	February 10, 1988
REXFOR		
. Cascades Inc.	Sale of shares (30%) of Papier Cascades (Cabano) Inc. to Cascades Inc.	August 31, 1988
. Panofor Inc.	Sale of assets to Normick-Perron Inc. by Forpan Inc. [33 1/3% held by Rexfor, 33 1/3% by SDI and 33 1/3% by Uniboard of Canada Inc. (Kunz)]	October 29, 1987
. Scierie des Outardes Enr.	Sale of shares (60%) to the Compagnie de papier Québec et Ontario Ltée	March 31, 1988

SOURCE: Ministère des Finances du Québec

1.3 Value of the transactions

The total value of these 21 transactions is **$997.1 million.** This figure represents the total amount paid in cash or stock, debts assumed by the purchasers and balances of purchase price.

Therefore, this includes the market value under the transaction of common stock remitted in consideration of assets transferred. These shares are the 7 million common shares of Cambior Inc. held by SOQUEM and the 8 million common shares of Sceptre Resources Ltd. held by SOQUIP.

The table in Appendix 4 gives a detailled look at the various components of the total proceeds of these privatization operations.

1.4 Lasting effects

The privatization of several "lame ducks" has been a major factor in reducing the Québec government's deficit. The results of Crown corporations are consolidated in the government's financial statements. The government's equity investments in its enterprises are recorded at "equity value". Each year, the value of investments is changed to reflect the profits and losses of the government's enterprises.

The privatization process has therefore had a direct impact on the government's financial framework. The 21 privatization operations have clearly had a significant effect in improving the government's financial position, since the enterprises involved had been incurring chronic deficits year after year.

The privatization operations have enabled the Québec government to rid itself of some "lame ducks". These enterprises, whose deficits were

notable only for their regularity, were placing undue pressure on the government's financial position. The impact of consolidating their losses in the budgetary results, of their financial requirements which the government had to make up, or of guarantees on their borrowings was becoming increasingly onerous. Table 2 shows the magnitude of the results of the annual losses, with some Crown corporations regularly generating annual losses totalling $67 million.

1.5 Application of the proceeds of the transactions

The transactions completed to date have a total value of $997.1 million. Of this amount, the government and Crown corporations have received or will receive the equivalent of $880.98 million, since the purchasers have assumed debts totalling $116.12 million. The government and Crown corporations have recycled the proceeds from privatization in five ways.

- Two corporations, SOQUEM and SOQUIP, have retained the common shares received for their portfolios. These shares were worth $110 million at issue and, at the end of August 1988, had a market value of about $137 million.

- Crown corporations have retained a total of $177.88 million to be used to finance new projects consistent with their mandate, therefore contributing to Québec's economic development.

- Some $102.9 million will have been paid into the Consolidated Revenue Fund. This amount will have enabled the government to recoup part of its investment in its Crown corporations.

- The sum of $345.9 million was applied to repay debts incurred by Crown corporations. The main debts concerned SOQUIP-Alberta, Mines Seleine Inc. and RSQ.

Table 2

RESULTS OF CERTAIN CROWN CORPORATIONS AND THEIR SUBSIDIARIES

(in millions of dollars)

CROWN CORPORATION OR SUBSIDIARY	ACCUMULATED LOSSES AT TIME OF TRANSACTION	ANNUEL DEFICIT ELIMINATED	DETAILS
RSQ	46,1	14,1	The annual operating losses include a deficit of $3 million in the beet producers income stabilization plan
Mines Seleine Inc.	75,1	13,8	Includes financial costs absorbed by the sale of assets to Cambior Inc.
Québecair	75,4	10,0	
Madelipêche Inc.	11,2	4,6	Includes the subsidiary Crustacés-des-Iles Inc.
SOQUIP-Alberta	42,8	22,7	
Scierie des Outardes Enr.	24,6	1,4	
TOTAL	275,2	66,6	

SOURCE: Ministère des Finances du Québec

- Finally, the government shared the proceeds of the Donohue Inc. transaction with Dofor Inc. minority shareholders. It should be noted that the redemption of minority interests ($144.3 million) also included Dofor Inc.'s interest in Domtar Inc. As a result, SGF is now the sole owner of a block of stock amounting to 28% of Domtar Inc. (through its wholly-owned subsidiary, Dofor Inc.).

Appendix 5 shows how the amounts or securities received and received from privatization operations were or will be used.

1.6 Stock portfolio of Crown corporations

The privatization operations have enabled Crown corporations to acquire large interests in two corporations whose shares are traded on the stock exchange.

By privatizing its major gold-producing assets, SOQUEM received 7 million common shares of Cambior Inc. (31% of the issued and outstanding shares at the time of the transaction). One million of these shares can be bought back by warrant holders. The exercice price is $12.50 per share, until January 15, 1990. The other common shares can be sold freely on the stock market.

SOQUIP received 8 million common shares of Sceptre Resources Ltd. (14% of the issued and outstanding shares). A clause provides for the transfer of another block of 5 million common shares of Sceptre Resources Ltd. providing certain results are achieved.

These two new major investments are in addition to those in Domtar Inc. (28%, 2.4 million common shares), Noverco Inc. (15.5%, 8 million common shares) and Tembec Inc. (19.8%, 2.6 million common shares) held respectively by SGF, SOQUIP and Rexfor.

Apart from these large common stock investments, all the investments of Crown corporations in subsidiaries and common and preferred shares traded or unlisted on an organized market must be considered.

1.7 Healthier financial position of Crown corporations

Quite clearly, within two years, the actions taken by the Québec government under its reorientation and privatization policy have brought about a definite improvement in the financial position of Crown corporations operating in the industrial and commercial sector.

The financial results at March 31, 1988, indicate that the net earnings of all industrial or commercial Crown corporations have almost quintupled compared to 1985, rising from $319 million to $1.44 billion (Appendix 3).

These Crown corporations earned total revenue of $8.8 billion and achieved a profit margin of 16%, a significant improvement over 1985 (4%). Excluding Hydro-Québec, the revenue and net profit of industrial or commercial Crown corporations amounted to $3.7 billion and $935 million respectively in 1988, reflecting a profit margin of 25% (0.5% in 1985).

Moreover, the accumulated net surplus stood at $2.3 billion at March 31, 1988, compared to $1.2 billion in 1985. However, it should be noted that Sidbec and SNA are still carrying heavy accumulated deficits of $760 million and $298 million respectively.

Finally, of the 13 Crown corporations shown in Appendix 3, nine earned a profit in 1988, while only four suffered losses. This is a clear improvement over the situation in 1985, when seven Crown corporations were generating losses.

CHAPTER II

2.1 Maturity of Québec's private sector

Thirty years ago, Francophones were largely under-represented in Québec's business community. When, in the early 1960s, with the onset of the Quiet Revolution, Francophones decided to increase their role in Québec's economy, a consensus was reached that the state should be the instrument for achieving this objective. From this standpoint, Crown corporations were among the chief means used by successive government to:

- Promote entrepreneurship in Québec and the emergence of a class of qualified Francophone business people;

- Stimulate development or processing of natural resources;

- Forge a competitive industrial structure; and

- Supplement a lack of native capital in important industrial sectors.

Today's Québec society reflects the considerable ground that has been made up since the early 1960s. Québec has taken charge of the development of its natural resources, be they mining, forest-related or agricultural.

In addition, a large class of capable and energetic businessmen and women has developed. To a great extent, business people are in a position to assume control of Québec's economy. The increasing number of Québec firms active in national and international markets provides ample proof of this.

Entrepreneurship is flourishing in Québec while the number of small and medium-size businesses has grown substantially since the beginning of the 1980s. The number of small and medium-size business incorporations per 10 000 of population has risen from 29.5 in 1977 to 66 in 1988. In addition, a growing pool of capital is now available as a result of the increasing vitality of financial institutions in Québec.

The private sector is therefore in a position to take over from the state in those sectors where public enterprise is not as necessary or as justified as it was 25 years ago. When the present government took office in December 1985, it concluded that, in many sectors, Crown corporations has completed the mission they had been given when they were formed.

By returning to the private sector those activities it can accomplish more effectively, the specific objectives of the government's privatization policy were and continue to be structural, in order to improve and strengthen key sectors of Québec's economy. The privatizations completed since 1986 indicate just how much of an impact has been achieved in this regard.

In many cases, privatization has returned assets to the private sector, as well as activities it can carry out more effectively, while taking market realities into account. Companies such as Madelipêche Inc. and Québecair, released from political and bureaucratic bonds, provide ample proof.

Québecair, which now operates under the name of Inter-Canadien, has improved its position significantly compared to what it was before privatization. Under its new owners, the shareholders of Nordair-

Métro, the company was already earning a profit in 1987. Regional service has improved, at lower cost to customers. These results are all the more remarkable since they were achieved despite stronger competition.

Moreover, privatization provided an opportunity for the general public in Québec to purchase shares of a very important mining company in the Abitibi: Cambior Inc.

In short, the Québec government's policy has enabled privatized companies to become more innovative, adapt to changes more quickly, market their products more energetically or develop and process Québec's natural resources more eagerly. The synergy between these companies and their new private-sector owners shows that privatization quite simply meets the test of economic efficiency. In this way, privatization has acted as a springboard for the development of Québec businesses and the economy of Québec as a whole.

2.2 A catalyst for developing entrepreneurship

- Types of buyers

Four types of buyers have been involved in privatization operations: partners of Crown corporations, the community or the public, enterprises with which integration was desirable, and, finally, competitors.

Partners of Crown corporations bought the latters' share in the cases of stock of the Société minière Louvem Inc., Provigo Inc., Société des pêches de Newport Inc., Distex-SNA Inc., Lupel-SNA Inc., Filaq-SNA Inc., Industries 3-R Inc., Cascades Inc. and Scierie des Outardes Enr. Unfortunately, despite the government's willingness, it was not possible to sell SOQUIA's block of Culinar Inc. stock, because agreement could not be reached with the Mouvement Desjardins, the majority shareholder.

The government sold Cambior Inc., Madelipêche Inc., Crustacés-des-Iles Inc. and Grande-Entrée to the public and people in the community.

Others used privatization as an opportunity to integrate their operations. Examples include SOQUIP-Alberta, J.E. Landry Inc. and Panofor Inc. into their own. Moreover, the sale of the block of Donohue Inc. shares enabled Québecor Inc. to extend its newspaper and magazine publishing business upstream.

Finally, competitors have acquired certain Crown corporations where both were operating in the same market niche. Examples, include Mines Seleine Inc., Québecair, RSQ and Pêches Nordiques Inc.

- **Preference to Québec companies**

One principle of the privatization policy determined the choice of buyers: the structural objective must take precedence over the financial objective. The purpose of this principle is to strengthen Québec's economic structure, while ensuring that Québec is represented in key economic sectors.

In accordance with this principle, the government therefore sought to give preference, to the extent possible, to firms controlled by Québec-based interests. Of the 21 privatizations the Québec government has carried out, the purchasers in 15 of them were Québec-based companies, as shown in Table 3.

It was therefore possible to achieve the structural objective of privatization by giving preference to a company controlled by Québec-based interests. However, the government was guided by structural considerations in privatizations in which the purchasers were not based in Québec. Structural objectives always lay behind the choice

Table 3

QUÉBEC GOVERNMENT PRIVATIZATIONS

Involvement of Québec-based Companies

BUYER: QUÉBEC-BASED COMPANY	PRIVATIZATION OPERATIONS
Sucre Lantic Ltée (Steinberg Inc. 50% + 1)	Raffinerie de sucre du Québec
Cambior Inc.	SOQUEM assets (Cambior Inc.)
Ressources Sainte-Geneviève Ltée	Société minière Louvem Inc.
Nordair-Métro shareholders	Québecair
Mircor (Québecor Inc. 51%)	Donohue Inc.
Unigesco Inc.	Provigo Inc.
Provigo Inc.	J.E. Landry Inc.
Shareholder fishermen	Société des pêches de Newport Inc.
Groupe Delaney	Madelipêche Inc.
Groupe Delaney	Crustacés-des-Iles Inc.
Groupe Hubert	Grande-Entrée
Cascades Inc.	Lupel-SNA Inc.
Industries 3-R Inc.	Filaq-SNA Inc.
Cascades Inc.	Papiers Cascades (Cabano) Inc.
Normick-Perron Inc.	Panofor Inc.

SOURCE: Ministère des Finances du Québec

of purchaser, whether or not it was a company controlled by Québec-based interests. To do so, the government attached certain conditions to each privatization. The purchaser contractually agreed to satisfy these conditions. Some of the more frequent conditions associated with privatization transactions were the following:

- Continuity of the operations of the privatized firm for a certain number of years;

- Maintenance of or increase in employment levels;

- Submission and execution of a development plan for the privatized firm;

- A major investment;

- Maintaining a place of business in Québec;

- Penalties for failure to comply with the conditions.

By imposing such conditions, the government has ensured that each privatization completed so far will make the maximum contribution to strengthening Québec's economic structure, particularly as far as regional economic development is concerned.

2.3 Support for regional development

Privatization has undoubtedly had a considerable impact on improving Québec's public finances. More remarkable, however, has been the increasingly noticeable impact of privatization on the economic development of certain regions in Québec, because this policy:

- Enables regional entrepreneurs to consolidate and grow;

- Encourages the development and growth of regional firms thanks to the new synergy generated by the transfer to a private sector owner;

- Creates employment in the regions;

- Ultimately, stimulates economic diversification in previously single-industry regions, significantly reducing the vulnerability of the economy by lessening its dependence on the state and on a single industry.

The following examples illustrate the contribution of the privatization policy to regional economic development.

- **Abitibi: Cambior Inc., Société minière Louvem Inc. and Panofor Inc.**

CAMBIOR INC.:

The government announced its decision to privatize part of SOQUEM in April 1986. Some of the best assets were combined in a subsidiary, Cambior Inc. in this instance, whose head office is in Val-d'Or, for subsequent privatization. This operation was undertaken via a public offering and the issue was completed in August 1986.

As a result of this issue ($157.5 million), Cambior Inc. was in excellent financial condition (cash on hand of $25.0 million and no debts). In return for the assets transferred, SOQUEM received 10 million preferred shares with a minimun value of $10.00 and 7 million common shares with a par value of $4.00. The preferred shares were redeemed at par value on the closing date for a total of $100.0 million. SOQUEM used these funds to pay off its debts.

Cambior Inc. subsequently strengthened its position as a gold producer by acquiring the remaining outstanding shares of Mines Sullivan Inc. and Ressources Aiguebelle Inc. which were experiencing financial problems. SOQUEM would never have been able to carry out these financial transactions since, for all practical purposes, it was on the verge of bankruptcy. Had Cambior Inc. not been formed, these consolidation operations could not have taken place.

At the end of its first full year, 1987, Cambior Inc. recorded net profit of $21.9 million on total revenue of $93.3 million.

In addition, Cambior Inc. made some major investments:

- In producing mines: $29.1 million;

- In mining exploration: $25.9 million, financed by issuing flow-through shares.

By using financing methods specific to the private sector, which SOQUEM, as a Crown corporation, would have had difficulty doing, Cambior Inc. was able to spend large amounts on mining exploration and so shorten the time until several mines are likely to go into production.

The private sector, rather than the government, has injected the funds required for Cambior Inc.'s development. One result of these exploration expenditures is that Cambior Inc.'s total mining reserves have grown. In fact, they doubled during 1987, reaching 2.8 million ounces of gold.

Finally, it should be mentioned that Mine Doyon had 430 employees on the payroll in December 1987, over its work force of 320 a year earlier, an increase of 110 over a year earlier.

Clearly, the partial privatization of SOQUEM and the formation of Cambior Inc. is a significant factor in the economic vitality of Abitibi.

SOCIÉTÉ MINIÈRE LOUVEM INC.

In November 1987, SOQUEM relinquished its 22% holding in the Société minière Louvem Inc. by selling its shares to Ressources Sainte-Geneviève Inc. As a result of this transaction, the Société minière Louvem Inc., based in Val-d'Or, benefits from a new synergy with a private partner.

The Société minière Louvem Inc. needed new capital to develop its activities and for future growth. An investment of this kind by SOQUEM was inconsistent with its new mission and would have required additional funds from the government.

Ressources Sainte-Geneviève Ltée, on the other hand, did have the financial depth required. When it purchased SOQUEM's interest, Ressources Sainte-Geneviève Ltée agreed to invest $10 million for the Société minière Louvem Inc. development and guarantee the continuation of its activities in the years to come. With its future secured, Société minière Louvem Inc. completed its reorganization, whose main features are:

- Creation of Exploration Monicor;

- Improved financing;

- Better balance between production, exploration and development;

- Staff reorganization;

- Deep exploration of the Chimo Mine.

Moreover, Société minière Louvem Inc. made another move designed to better secure its future by opting for the new Gold Spinner technology which could generate additional revenue, both for Société minière Louvem Inc. and Ressources Sainte-Geneviève Ltée.

In short, this transaction enabled two Québec firms, Ressources Sainte-Geneviève Ltée and Société minière Louvem Inc., to make a greater contribution to mining development in Abitibi.

PANOFOR INC.:

Normick-Perron Inc. acquired Panofor Inc., a division of Forpan Inc., itself an affiliate of the Crown corporation Rexfor, in September 1987. The Abitibi paper producer thus became the owner of Panofor Inc.'s waferboard plant in Val-d'Or, built in 1982. With this very modern plant, Normick-Perron Inc. became the largest producer of waferboard in Canada, with about 18% of this flourishing market, and the fourth largest producer in North America, with about 7% of the market.

The privatization of Panofor Inc. has therefore secured a preponderant position for a Québec firm in an expanding market. The transaction has strengthened the industrial structure of Abitibi in the wood processing sector.

- **Iles-de-la-Madeleine: Madelipêche Inc. and Mines Seleine Inc.**

MADELIPÊCHE INC.:

The local group which acquired Madelipêche Inc. in February 1987 was selected by the government from among five offers, indicating the

government's confidence in this group of local residents who decided to take charge of the economic development of the Iles-de-la-Madeleine. A year later, the results show that the government's confidence was not misplaced and that the operation was a success. Since 1982, the enterprise had required financial commitments from the Québec government totalling $48 million and was piling deficit on top of deficit:

- 1983: deficit of $4.2 million;
- 1984: deficit of $0.5 million;
- 1985: deficit of $4.2 million;
- 1986: deficit of $1.5 million;

in 1987, within one year of acquiring the firm, the new owners had turned the situation around completely, showing the vitality of local entrepreneurship on the Iles-de-la-Madeleine.

The new owners of Madelipêche Inc., the Groupe Delaney, completed the first year of operations with an estimated surplus of $1.5 million. In addition, the fact that the new owners are local residents has certainly contributed to the improvement in labour relations within the firm which has a workforce of more than 500.

The improved labour climate was undoubtedly a factor in the significant increase in volume of fish processed. In 1987, Madelipêche Inc. processed 26 million pounds of haddock, up by 44% over 1986, when only 18 million pounds were processed.

MINES SELEINE INC.:

The salt mine located on the Iles-de-la-Madeleine, Mines Seleine Inc., was privatized on March 31, 1988. This operation will also have a

significant impact on the economic development of the islands, even though the purchaser, the Canadian Salt Company Ltd., is American-owned. The new owners have agreed to carry out an ambitious development plan:

- Investment of $16 million in the mine's facilities, in particular to increase storage capacity;

- Increase annual salt production from 1.2 to 1.5 million tonnes;

- Operate the mine, hence work for the miners, 12 months a year (currently nine months);

- Expand the market for salt mined on the Iles-de-la-Madeleine.

The two largest companies on the islands were privatized (about 75% of industrial jobs) and the impact on the island economy has already been very positive.

- **The Asbestos region**

On July 30, 1986, the Québec government announced a plan to privatize the manufacturing subsidiaries of SNA. The objective was two-fold: limit SNA's financial losses, and stimulate employment in these manufacturing subsidiaries in view of the challenge they faced as a result of the collapse of the market for asbestos products.

In the Asbestos region, under an agreement (July 1986) with Industries Cafco Ltée, a Québec subsidiary of United States Minerals Products Company, Fusoroc Inc. leased its assets to the latter, with an option to purchase valid for 26 months. Thanks to this lease, it was possible to continue developing a new technology for producing

rock wool and to keep the plant operating which, otherwise, would have lost money or simply been shut down. Industries Cafco Ltée has already invested more than $1 million in Thetford-Mines in new fixed assets and start-up costs. With the successful recovery of the business, the new shareholders have already indicated they intend to exercise their option to purchase the assets of Fusoroc Inc. The plant's workforce has since risen from 5 to 34.

It is also worth mentioning that in October 1986, Olimag Inc. was granted a patent for manufacturing fire-proof products and stripping products developed by Minutt, a division of Céram-SNA Inc. Olimag Inc., a company formed by Minutt employees and investors from Thetford-Mines, will pay royalties of 5% on the net selling price of the products. In addition, it will build a new plant with an annual capacity of 40 000 tonnes, costing $2 million. Ten jobs were maintained as a result of this transaction, with another 11 to be created when the new plant is completed.

In February 1988, SNA also sold its holdings in Filaq-SNA Inc. and Industries 3-R Inc., located in Danville (near Asbestos), to the latter, for a price of $180 000. Twenty-one jobs were maintained in this small town thanks to this transaction.

SNA is continuing its privatization program in the Thetford-Mines region with Roto-SNA (transaction moving towards completion with International Precision Industries Inc.) and Magnac Inc. (under study).

Some of SNA's subsidiaries based **outside the Asbestos region** have also been affected by the privatization plan. At Cap-de-la-Madeleine, the assets of Lupel-SNA Inc. were sold to Cascades Lupel Inc., a subsidiary of Papiers Cascades Inc., for $5.6 million. Thanks to this transaction, 40 jobs were maintained.

In Ville d'Anjou, the assets of Distex-SNA Inc. were sold to Echlin Inc., one of North America's largest makers of automobile spare parts. SNA, which held 50% of the stock, received $3.2 million and obtained payment in full of the $2.5 million it had advanced to Distex-SNA Inc. The workforce has risen from 200 to 335.

Overall, the privatization program for SNA's manufacturing subsidiaries has had a positive effect on both employment levels and economic spinoffs.

In terms of employment, the gains have been impressive. When the privatization program was getting under way, SNA's manufacturing subsidiaries employed 385 people. It is very likely that this will double following privatization.

- **Côte-Nord: Scierie des Outardes Enr.**

On March 31, 1988, the Québec government initiated the partial privatization of Rexfor by announcing the sale of the Scierie des Outardes Enr., of Baie-Comeau, to Compagnie de papier Québec et Ontario Ltée. Under the terms of the sale, the purchaser agreed to carry out a major investment program amounting to some $180 million, spread over the next five years.

Compagnie de papier Québec et Ontario Ltée will spend about $4 million to modernize Scierie des Outardes Enr. to increase the value added of the products and promote a more rational utilization of the resource.

Moreover, the new owner will spend some $15 million to build a road between Manic 3 and the sawmill, eliminating the need to float logs and so increasing environmental protection.

A further $15 to $20 million will be invested to improve the productivity of papier-making in the Compagnie de papier Québec et Ontario Ltée plant in Baie-Comeau.

Finally, the company will spend $130 million to build a new thermo-mechanical pulp plant. The shift to thermo-mechanical pulp will result in a considerable reduction in the discharge of pollutants, as well as encouraging better use of the forest resource.

This investment program will enable Compagnie de papier Québec et Ontario Ltée to integrate its forest operations. The consolidation of this company, which has been operating in Baie-Comeau for 50 years, is a major contribution to the future economic growth of the Côte-Nord region.

- **Québecair**

The results obtained by the new owners of Québecair (renamed Inter-Canadien) after a year and a half speak for themselves. The company is profitable, special fares are available to customers, new destinations have been added and the airline's fleet is being modernized.

The results posted by Inter-Canadien group for the fiscal year ending in December 1987 showed an improvement of $13 million compared to 1986. Pre-tax operating profit amounted to $1 620 000 compared to a loss of $11 546 000 for Québecair in 1986. It should also be recalled that Québecair had not earned an operating profit for ten years.

Inter-Canadien earned $84 million in revenue, of which $60 million was generated from network operations.

Québecair's financial reorganization generated $20 million in savings in less than a year and a half from equipment costs, fixed costs and general costs. This is indeed a major improvement.

In addition, as a result of the profitability of the Inter-Canadien group, two employee incentive plans have been introduced:

- the profit-sharing plan; and

- the employee stock ownership plan.

Under the profit-sharing plan, employees share up to 20% of the group's profits. Profits for the purposes of the PSP (profit-sharing plan) reached $2 169 000. Participating employees received a cheque from the plan about April 15, 1988.

As for the stock ownership plan, the group offers regular full and part-time employees 100 shares free and the option of purchasing up to 2 500 others at a discount of 10% of fair market value, determined by chartered accountants specialized in valuing companies. Employee stock ownership was part of the offer to purchase submitted by the buyers of Québecair and was included in the sale contract.

Over 70% of employees subscribed to the stock ownership plan, for which the enrollment period ended June 30, 1988.

Inter-Canadien offered special fares during the summer of 1988 on flights to most regions in Québec. It also offers substantial reductions to students under 25.

Furthermore, Inter-Canadien has signed a long-term lease for three Fokker 100 jets, in addition to the four already ordered. The seven

Fokker 100s, designed and built by the Dutch company Fokker, will gradually enter service beginning in December 1988. The airline will be the second carrier in the world to take delivery of this aircraft and the first in North America, just ahead of US Air.

This aircraft has a capacity of 109 passengers and boasts the latest technology. It is the most efficient jet currently available in terms of fuel consumption, passenger comfort and noise levels for residents near airports. These regional transport jets will replace the Fokker 28s.

The return of Québecair to the private sector has definitely enabled the company to recover its profitability and develop a new vitality, which Québec's regions can fully enjoy thanks to the growth of the network, attractive fares and the modernization of the fleet.

The improvement and development of air service in Québec's regions is also reflected in the addition of new destinations. Since February 1988, Inter-Canadien's network includes two new destinations in Québec: Alma and Dolbeau.

Moreover, it also offers new destinations, namely in Ontario (Toronto), New Brunswick (Moncton, Charlo, Chatham and Saint John) and Prince Edward Island (Charlottetown).

Furthermore, the company has improved service with jet flights to Abitibi and more frequent flights between Montréal, Québec City, Ottawa and Toronto.

Finally, within a year, Inter-Canadien will completely renew its fleet of jets and 50-passenger turboprops. The investment in new aircraft amounts to $300 million, including parts, replacement engines and options.

Inter-Canadien has ordered five modern ATR-42 turboprop aircraft and taken an option on four other aircraft from the Franco-Italian consortium Aérospatiale-Aeritalia. These aircraft will gradually enter service beginning in December, replacing the Convair 580s currently in use.

The needs of customers in isolated regions of the Basse-Côte-Nord and the Iles-de-la-Madeleine, in particular, together with operating constraints in Eastern Québec dictated the choice of this aircraft, as well as economic reasons.

CHAPTER 111

3.1 The economic role of the state via Crown corporations

During the Quiet Revolution, the creation of Crown corporations was set against a particular context. Today, that context has changed. The private sector has matured and entrepreneurship is well established in Québec.

The primary basis of economic growth has to be the vitality of businesses, which are the only real creators of employment. The government is responsible for providing conditions conducive to the emergence of this vitality. Henceforth, the state as entrepreneur must give way to the state as catalyst to provice entrepreneurship in Québec with a stimulating environment conducive to its growth.

Under Québec's privatization and reorientation policy, this new economic role of the state is affected either through full privatization, or through the reorientation of some Crown corporations as part of a partial privatization process.

There has never been any question of privatizing all commercial and industrial Crown corporations. The government has made this clear from the outset of the privatization program. Indeed, this is one of the program's guiding principles.

It must be recognized, therefore, that the government can and at times must intervene in certain strategic sectors of Québec's economy. Crown corporations are one of the tools the government can use for such intervention, particularly since it must now be viewed against a backdrop of free trade with the United States, which will require new rules covering methods of government intervention. Free trade will bring new challenges for Québec firms and in this context, some Crown corporations will have a crucial role to play in strengthening or

consolidating Québec businesses. This new concern with free trade is already reflected in the reorientation of the mission of Rexfor and SOQUIA in particular.

According to the privatization policy, those Crown corporations that are maintained must be carefully examined and, if need be, their mission must be reoriented. This process is being applied to Crown corporations such as SOQUEM, SOQUIP, the SGF, Rexfor and SOQUIA. Apart from differences in size, sectors of activity and available financial resources, rigorous criteria are applied in each of these reorientation processes:

- Operating and financial performance criteria are specified and tightened;

- Rules of conduct are set so that they do not enjoy undue advantages over their private competitors;

- Their mission emphasizes development, particularly in the regions;

- Their initiatives must be complementary to those of the private sector;

- In the same vein, their eventual participation in businesses must be of a minority and temporary nature.

These are the criteria the government applies to refocus the mission of Crown corporations so that it is better adapted to the Québec of the 1980s. An examination of the reorientation of some Crown corporations shows how the government views their role as a tool of intervention.

3.2 SOQUEM

On April 29, 1986, the Québec government announced the process of partial privatization of SOQUEM through Cambior Inc. The subsequent privatizations of Cambior Inc., Société minière Louvem Inc. and Mines Seleine Inc. were part of this process.

At the same time, the government indicated the reorientation of SOQUEM's mission, which henceforth would focus on mining exploration in Québec. It is worth recalling, in this vein, that SOQUEM was formed in 1965 during the Quiet Revolution to deal with two major problems: the dependence of Québec's mining sector on foreign capital and the marginal role played by Francophone Quebecers in mining development.

SOQUEM's original objectives, which form part of its 1965 act of incorporation, were to undertake mining exploration of all types, participate in developing discoveries, including those of others, and participate in bringing deposits into production.

Since its creation, SOQUEM has invested a total of more than $300 million in exploration, development and production. The corporation has also made a significant contribution, during this period, to training professionals in the mining sector and substantially increasing the number of Quebecers in this industry.

By the mid-1980s, SOQUEM's mission has lost some of its relevance, since private enterprise had taken over a very large proportion of mining development in Québec. For instance, SOQUEM's share of exploration expenses in Québec fell from 13% in 1972 to 1.6% in 1985.

In short, Québec's mining industry is coming to rely increasingly on private capital for its growth. Quebecers now participate in the management and public financing of mining companies as a matter of course. Tax incentives, backed by better regulation of the securities market, have taken over SOQUEM's role.

The best way to stimulate mining exploration is unquestionably to generate interest among individuals in this type of activity. For example, from 1980 to 1985, it is estimated that exploration programs worth more than $300 million were financed through flow-through shares and limited partnerships.

The Québec government can now stimulate mining development in active regions of the province without necessarily going through a Crown corporation. In addition to these fiscal methods, the government assists mining exploration by providing financial and technical assistance to companies under such programs as the Ministère de l'Énergie et des Ressources mining exploration assistance program. At the same time, the governement can continue with its own geological activities, to extend our knowledge of the sub-soil.

SOQUEM has therefore completed the mission entrusted to it in 1965. In 1986, the Québec government retained the possibility of a complementary role as a catalyst in under-explored regions which may show an attractive mining potential. In short, SOQUEM is returning to its original role as a pioneer in exploration.

There is, in this regard, a parallel with the situation which prevailed in 1965. SOQUEM's creation was justified at that time by significant structural weaknesses, in the view of the government of the time. Today, many mining regions in Québec have been abandoned by the private sector because of the high degree of risk involved in exploring for deposits. In particular, this is the case with the immense

James Bay region, the Labrador trench to the east and the mineral zone in the Matagami and Chibougamau region. As a result of the high cost of prospecting, the sheer size of the territory and the lack of major discoveries to provide a focus, there is little private-sector exploration activity in these regions.

On the other hand, the government decided that in the medium term, SOQUEM should leave mine operations to the private sector. In the summer of 1986, therefore, in response to the new mining situation in Québec, the government decided to reorient SOQUEM according to the following principles:

- Continuation of SOQUEM with a medium-term mandate stressing mining exploration and development;

- The possibility that SOQUEM could carry out its mandate virtually anywhere in Québec;

- Once mineral deposits that demonstrate investment opportunities have been discovered and developed, private entreprise can take over and work the deposit; however, SOQUEM could, with the government's prior authorization, operate a mine and process ore either alone or with partners.

In addition to preserving SOQUEM's expertise, the new orientation allows the corporation to further promote the creation of new centres of attraction for the private investor in regions that have been abandoned. This corresponds better to the mineral and geographic diversification objectives of the Ministère de l'Énergie et des Ressources.

Moreover, this more limited mission of SOQUEM is more compatible with the government's orientations concerning the role of the state in the economy. Indeed, this Crown corporation will now play a complementary and catalyst role in those activities offering little interest for private industry.

This new mandate determined the tenor of SOQUEM's development plan for fiscal 1986-1987 to 1990-1991. This plan was approved by the government in February 1987 and calls for regional distribution of its exploration budget, a spreading of priorities concerning exploration minerals and government approval for the exploration and development of mining properties. The plan also defines the Crown corporation's financing details.

SOQUEM, by implementing this plan, will allocate half of its exploration budget to base metals, the rest being split equally between metals used for alloys and in high technology, and prospecting for precious metals.

As a result of SOQUEM's partial privatization (Cambior Inc., Société minière Louvem Inc. and Mines Seleine Inc.), the Crown corporation has been able to pay off a substantial debt and thereby generate the funds needed for its new mandate.

3.3 Société générale de financement

On September 30, 1986, the Associate Minister for Finance and Privatization and the Minister of Industry and Trade announced the reorientation and new mission of SGF. Henceforth, SGF would no longer act as an industrial holding company, but rather as a development corporation.

SGF's mission is now to promote and carry out industrial development projects in strategic economic sectors, in accordance with the Québec government's economic development policies and in cooperation with private partners, both Canadian and foreign.

Since it was formed in 1962, SGF has undergone two major changes enabling it to adapt to shifting economic conditions. In 1973, it moved from a corporation combining private and public capital to a Crown corporation, and in 1978, its role as an industrial management corporation was specified.

In 1986, SGF again found itself in a situation of change. Entrepreneurship was growing ever stronger in Québec. The vitality of Québec's financial sector had become a source of capital widely used by firms in Québec.

In view of the existing state of Québec's economic development, a major government participation is no longer needed in industries where the private sector is providing ample assurance of future growth.

However, the government must retain a flexible and effective instrument to carry out major industrial initiatives that are considered of strategic importance for Québec's economy. The government is still called on to participate in carrying out industrial projects which, because of their size, the risk involved and the desire of the partners, many of which are foreign, require its presence. SGF can provide this type of participation, particularly since this is a role the corporation has already played effectively in projects such as the Donohue Inc. plants in Saint-Félicien and Amos, the Domtar Inc. project in Windsor and the Bécancour aluminum smelter, for instance.

SGF will be able to play its development role all the more effectively since it will no longer be required to tie up large sums in capital investments now that its industrial holding company role (control of ownership of businesses) is no longer necessary. The privatization of Donohue Inc. is part of this process.

SGF's new role will be to initiate and carry out large development projects in certain sectors of Québec's economy. This role is complementary to that of private enterprise and, as such, the corporation's main features are:

- The capacity to assume risks with its private partners greater than they could assume on their own. These risks concern large long-term investments, investment term structures, or new technologies;

- Immediate knowledge of the Québec milieu and a practical understanding of the operation of economic sectors;

- Experience in carrying out major development projects;

- Substantial capital and the financial guarantee of its shareholder;

- Experience in communicating with governments.

SGF will act as an "initiator" of development projects in sectors in which Québec holds comparative advantages, whether in terms of natural resources, technology, market or human resources.

The SGF development plan will detail the strategies it will follow to carry out its mission.

As part of an overall economic development policy based on the vitality of the private sector, SGF provides the government with a suitable tool for the promotion and development of large industrial projects in strategic sectors.

3.4 Rexfor

Since Rexfor was created in 1970, it has proven to be a practical tool for intervention on an as-required basis, at the government's request, in situations which have almost always been of an urgent nature and rarely related to an overall strategy or a forest development framework. However, certain projects involving high financial and technological risks and promoting the use of lower quality wood would undoubtedly not have been completed or would have been delayed significantly without the involvement of a corporation like Rexfor. Examples include Panval Inc. at Sayabec, Panfibre Inc. at Mont-Laurier and Cascades (Port-Cartier) Inc. at Port-Cartier. In addition, these projects have strongly influenced the economic and social development of the regions involved. Those involved in the forest industry who were consulted emphasized these very positive aspects of Rexfor's role. They also recognize the forestry expertise it has developed over the years.

However, for the past few years, the economic situation and the situation of the forest industry have changed, making it necessary for the government to reassess its role and the ways in which it acts. The mission of Rexfor, as a governmental development tool, must be reexamined.

Furthermore, the state, through its departments and agencies, still has an important role to play in forest management and regional economic development by promoting concerted action among the various

private agents involved and encouraging innovative projects. The enormous challenges involving the implementation of the Forestry Act as well as processing and export of wood products cannot, in our view, be met by the private sector alone in the current situation. Consultations with the forest industry have led to this observation.

In this sense, Rexfor, because of its mission and expertise acquired in forest development and processing of wood and its by-products, remains a very useful tool for the government to achieve its objectives.

These considerations formed the basis for the government's decision in April 1988, recommended by the joint committee, to shift the focus of Rexfor's mandate. Rexfor will give up its role as an industrial holding company and become a genuine development corporation, more concerned with the problems of the forest and the needs of the forest industry and thus contributing to economic vitality in the regions. To do so, it will provide support to industry and act as the driving element in certain projects that are innovative and will have a critical impact on regional development. Rexfor's mandate has therefore been reoriented along the following major points:

The forest:

In connection with the new forestry system, Rexfor:

- Will become the Ministère de l'Énergie et des Ressources forest management and development instrument to carry out restoration work in poorly regenerated regions or those behind schedule and to undertake forest reserve development. Rexfor will act as coordinator, with the work being carried out by others;

- Will set an example of forest management and everything this involves in its own lands, i.e. planning and carrying out sylvicultural work such as reforestation, maintenance, harvesting and testing of new sylvicultural procedures;

- Will continue to undertake certain forest operation activities at the request of its partners or under existing and future supply guarantees which the government may grant to certain major investment projects;

- Carry out ad hoc mandates which the Minister may consider appropriate to entrust to the corporation.

Processing:

In this regard, Rexfor:

- Will encourage innovative projects involving the manufacture of new products with greater value-added (example: Panfibre Inc.) or products using wood by-products of little or no current utility;

- Will participate in the implementation of major projects with a substantial economic and social impact and involving significant risk. In this case, Rexfor's involvement may reassure its partners, either because of its experience and ability to assume greater risks than they could carry alone, or because of its forestry experience (example: Panval Inc.);

- Will undertake, with industry participation, projects initiated by the industry related to the processing sector and having a substantial economic and social impact in the regions (example: Papier Cascades (Cabano) Inc.);

- Will refrain from further involvement in traditional industries, in particular the sawmill sector, unless as part of special mandates.

New technology:

Rexfor will continue to encourage technological development by:

- Applying new technology developed here or elsewhere and related to sylviculture, utilization and processing of wood;

- Promoting such new technology among Québec companies.

Export development:

Rexfor will provide assistance by participating in:

- Seeking out new geographical markets, particularly overseas, for traditional products in order to further diversify our export markets (a certain volume of lumber produced in Québec could be sold in Asian and Middle-Eastern markets through more energetic marketing);

- Indentifying new market segments for products that are not currently being exported;

- Searching for opportunities to develop new products for Québec industries.

Special mandates:

In exceptional circumstances, Rexfor will carry out ad hoc mandates from the Minister. However, activities involving recovery projects or company rescues will have to satisfy the following conditions:

- The firm is undergoing temporary difficulties resulting from unfavourable economic conditions or poor management;

- Resumption of operations on a profitable basis will have to take the capacity of the forest into account (there must be a sufficient volume of wood and wood by-products);

- The recovery must involve the financial participation of the community and/or the search for another partner;

- Regular business assistance programs, in particular those of the Société de développement industriel, cannot improve the situation of the company sufficiently, both technically and administratively as well as financially;

- Rexfor's financial participation must be for a reasonable amount and be temporary in nature (a memorandum of withdrawal must be drawn up).

The government, as part of Rexfor's reorientation, has also examined its subsidiaries. With the sale of the Scierie des Outardes Enr., Rexfor has three investments in the saumill sector, one in the panel industry, three in pulp and paper and five in other sectors.

Following this examination and in accordance with the new orientation, Rexfor will move to divest itself of its saumill subsidiaries, taking into account the need to consolidate the regional economic structure. The Scierie des Outardes Enr. was privatized with these considerations in mind.

Rexfor has not completed its mission in the panel industry. Its presence is still required. Once consolidation of operations has

produced the results expected and economic conditions are favourable, Rexfor can sell all or some of its investment for fair market value. On the other hand, Rexfor will retain its pulp and paper investments in the short and medium terms.

The development plan Rexfor must submit to the government will have to specify the means this Crown corporation intends to use to carry out this new mandate.

3.5 SOQUIA

Since it was formed in 1975, SOQUIA has contributed to the growth of vigorous medium-size companies in various sectors of the bio-food industry. Examples of such companies are Groupe Olympia, Cofranca-Import-Export Inc., Nutribec Ltée, Les Aliments Carrière Inc. and the Société des pêches de Newport Inc.

In addition, it prevented the transfer of control to foreign interests of Provigo Inc. and Culinar Inc., companies which play a crucial role in this sector because of their size. It also turned the service subsidiaries transferred to it by the government into profit-making firms, and carried out specific government mandates. These firms generate substantial spinoffs in many regions of the province and are part of energetic Québec firms on which Québec will rely over the next few years in its strategy to develop the bio-food sector.

However, SOQUIA has not been very active as a promoter or instigator of projects. It has been content to support other promoters in carrying out projects if felt useful for Québec's economy. It has assumed no leadership role in designing and carrying out projects with a high potential for spinoffs for Québec's economy. However, Québec's bio-food industry faces major challenges in the next few years.

In this situation, the Québec government, through its departments and agencies, has an important role to play in maintaining and creating, if need be, a favourable climate in which the industry can adapt to current and future opportunities and demands of domestic and export markets, so as to maximize the spinoffs for Québec as a whole. This role seems all the more necessary as free trade between Canada and the United States moves closer to reality. Up to now, agriculture and food products have been protected by some of the highest trade barriers, so that the indutry will have to improve productivity, while enjoying access to huge new markets.

For instance, the government will have to contribute to expanding the core of energetic companies on which Québec can rely as the driving force in the development of its bio-food industry. More specifically, it must seek to energize, in concert with the community, sectors which have not achieved their full potential.

In this regard, SOQUIA, because of its sectorial role and experience in the bio-food industry, continues to be a very useful tool for the government in pursuing its objectives. We therefore recommend that SOQUIA's mandate be maintained, specifically to:

- Promote the etablishment, modernization, expansion, development, consolidation or combination of food sector industries;

- Participate or intervene in the production, primary processing, further processing and marketing of any product related to the agricultural or food sector or to the commercial fishery.

However, SOQUIA will have to take the latest government policies into account in its future activities and ensure that its fields of activity comply with the objectives of MAPAQ (Ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec).

Henceforth, SOQUIA will have to support the MAPAQ's efforts to expand the core of vigorous companies. In this regard, the corporation could show leadership, in addition to its current operations, in promoting and carrying out innovative projects with high potential for the Québec industry. In carrying out its new mandate, future **SOQUIA interests** must remain **minority and redeemable** at a fair price once the enterprises involved reach the required maturity. SOQUIA's future role will therefore consist of the following four parts:

- A **leadership role** in promoting and carrying out, in cooperation with private partners, innovative projects with high potential in terms of economic spinoffs, in the bio-food industry selected in accordance with MAPAQ objectives;

- A **financial and,** if need be, technical support role for energetic firms with high development potential to ensure that risky, innovative projects with a significant economic and social impact are carried out;

- **Management of service subsidiaries** according to improved productivity and development on a profit-making basis. However, for each of these, SOQUIA will have to present its position concerning the transfer of their activities to the private sector, as part of its next development plan. This examination will have to take into account the principles and objectives of the government's Crown corporation reorientation and privatization policy;

- **Carrying out special government mandates** with a view to regional development. However, its actions in this regard must comply with the following conditions:

- The firm is undergoing temporary difficulties resulting from unfavourable economic conditions or poor management;

- The firm does not compete with other regional or Québec firms;

- The recovery must involve the financial participation of the community and/or the search for another partner;

- Regular business assistance programs, in particular those of the Société de développement industriel, cannot improve the situation of the company sufficiently, both technically and administratively as well as financially;

- SOQUIA's financial participation must involve a reasonable amount and be temporary in nature.

Moreover, SOQUIA will have to sell its investments when the enterprise involved reaches a mature stage. The sale of such investments, including Culinar Inc., must reflect the major principles of the Crown corporation reorientation and privatization policy, namely:

- Strenghtening Québec's economic structure;

- Obtaining fair value for assets sold;

- The visibility of the sale process;

- Fair treatment of employees, communities and suppliers, if any.

3.6 SOQUIP

SOQUIP was formed in 1969 as one of the means the Québec government has used to achieve its objectives in the energy field. Its mandate

includes all activities in the hydrocarbon sector, from exploration to production. SOQUIP's role was reassessed as part of the Crown corporation reorientation and privatization policy.

An analysis of the existing energy situation shows Québec's vulnerability in regard to supplies of hydrocarbons. The energy market does not appear to be in a period of upheaval as was the case during the 1970s. Yet, the market remains volatile, and is undergoing adjustments brought about by the process of deregulation to which Canada is committed.

As a result of this assessment, the government has decided to retain SOQUIP as a corporate vehicle in the hydrocarbons sector. SOQUIP's main role will be to support Québec's economic development by promoting Québec's access to secure sources of supply and bolstering important industrial projects in the energy sector. In doing so, SOQUIP will be contributing to the achievement of the government's objectives under its new energy policy.

The development plan which SOQUIP will shortly submit to the government will specify the strategic objectives and the means it intends to use to achieve them.

CONCLUSION

This progress report has shown that the Québec government has to a large extent achieved the objectives it set when it initiated the reorientation and privatization program.

The government undoubtedly maximized the likelihood of achieving its goals by stating at the outset a clear policy covering its objectives, its guiding principles and the process whereby the policy would be carried out.

In particular, the government's pragmatic approach and the case by case examination procedure have resulted in each of the privatizations completed thus far contributing, on the one hand, to the improvement of public finances and, on the other to strengthening Québec's economic structure.

This approach has also allowed the government to intervene when required by the priorities of the day. Thus, the urgent need to improve public finances led the government initially to divest itself of "lame ducks". At the same time, the process continued with the examination of Crown corporations most likely, through their full or partial privatization, to meet the structural and financial objective. This process will continue along the same principles, according to the economic situation and based on economic development requirements.

The results in terms of improvement in public finances are impressive. The total value of transactions for the 21 privatizations is estimated at almost $1 billion. Clearly, the financial position of the Crown corporations was improved. The savings for Québec taxpayers as a result of these transactions have been substantial.

In 1984-1985, a few Crown corporations generated total losses of more than half a billion dollars. Today, the great majority of Crown corporations are profitable and are no longer a burden on society.

The gain for Québec is twofold, since the Crown corporation reorientation and privatization policy has also had a positive impact on the province's economic development, especially since export-related challenges will call for greater capitalization and the combination of Québec firms in certain strategic sectors.

Privatization has acted as a springboard for the development of many firms in Québec and paved the way for investment and significant job creation in the regions. The reorientation of some Crown corporations, by continuing the government's catalyst role, is consistent with this direction.

Privatization's increasingly tangible contribution to the strengthening of Québec's economic structure indicates that the government can trust private enterprise to ensure Québec's economic development. The private sector has demonstrated its maturity and shown the energy, initiative and imagination needed to take over the reins from government.

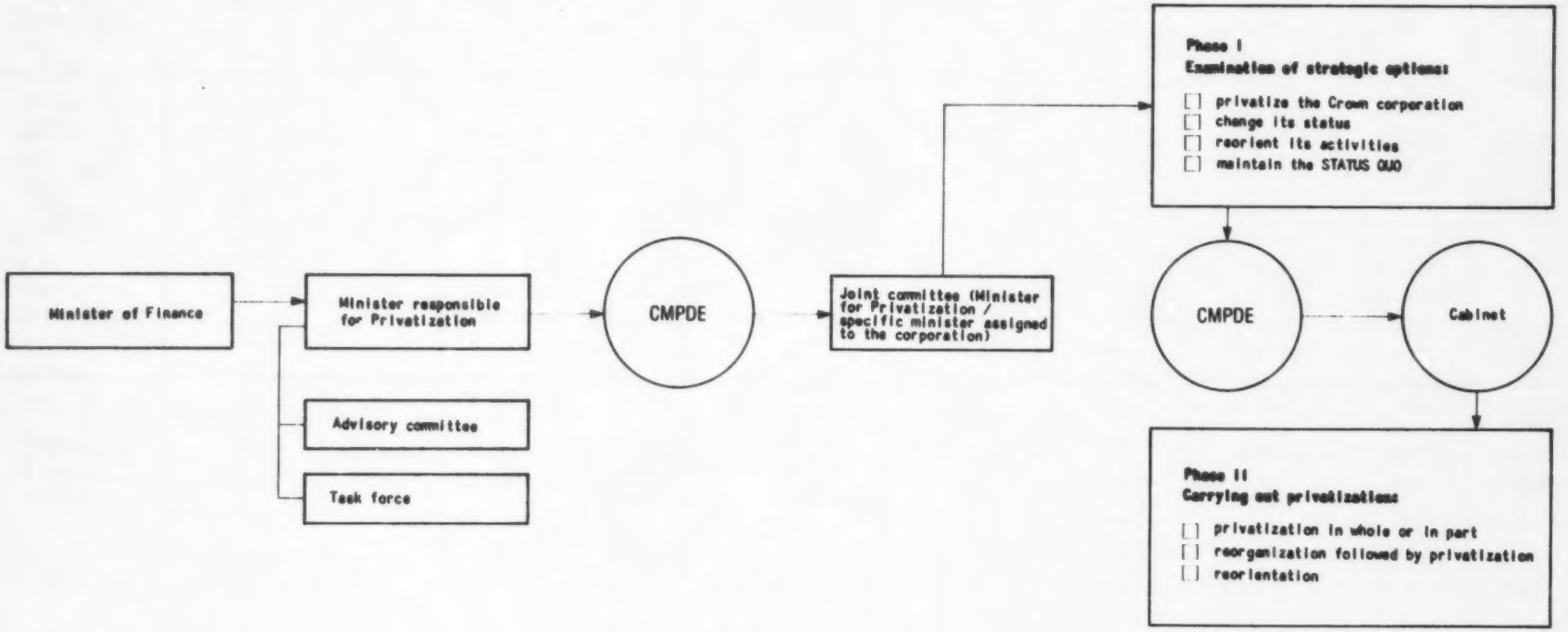
On the strength of this observation, the state need no longer continue its role and activity in Québec's economy as prime contractor, but rather in terms of support and encouragement to private enterprise and initiative.

APPENDIXES

Québec

Gouvernement du Québec
Ministère des Finances
Ministre délégué à la Privatisation

TYPICAL PROCEDURE FOR THE PRIVATIZATION OF A CROWN CORPORATION


Minister of Finance
Minister responsible for Privatization
Advisory committee
Task force
CMPDE
Joint committee (Minister for Privatization / specific minister assigned to the corporation)
Phase I
Examination of strategic options:
[ ] privatize the Crown corporation
[ ] change its status
[ ] reorient its activities
[ ] maintain the STATUS QUO
CMPDE
Cabinet
Phase II
Carrying out privatizations:
[ ] privatization in whole or in part
[ ] reorganization followed by privatization
[ ] reorientation

CMPDE: Comité ministériel permanent de développement économique

Appendix 2

QUÉBEC GOVERNMENT ENTERPRISES AS AT MARCH 31, 1985

(in thousands of dollars)

CROWN CORPORATION	GOVERNMENT EQUITY					FINANCIAL DATA				
	CAPITAL STOCK	LOANS & ADVANCES	GOVERNMENT INVESTMENT	ACCUMULATED SURPLUS (DEFICIT)	GOVERNMENT EQUITY	TOTAL ASSETS	LONG-TERM DEBT	TOTAL REVENUE	NET EARNINGS	GUARANTEED BORROWINGS
	(1)	(2)	(3 = 1 + 2)	(4)[a]	(5 = 3 + 4)	(6)[a]	(7)[a]	(8)[a]	(9)[a]	(10)
Hydro-Québec[b]	4 374 109	-	4 374 109	2 136 541	6 510 650	27 129 000	18 326 000	4 173 000	301 000	19 873 434
Loto-Québec	170	-	170	41 930	42 100	90 545	-	741 102	252 919	-
RSQ	36 000	-	36 000	(20 839)	15 161	77 736	28 900	46 047	(11 331)	-
SAQ	30 000	-	30 000	68	30 068	171 779	-	882 911	340 455	-
Sidbec[b]	582 000	70 835	652 835	(836 209)	(183 374)	529 234	342 986	494 747	(445 716)[c]	578 883
SGF[b]	274 434	15 000	289 434	64 985	354 419	1 159 874	362 030	779 297	20 177	30 074
SNA	94 769	1 825	96 594	(136 506)	(39 912)	255 604	56 785	115 711	(109 555)[d]	23 500
SOQUEM	110 600	-	110 600	41 992	152 592	271 860	72 283	80 612	(7 269)	-
SOQUIP	203 900	-	203 900	10 750	214 650	436 735	178 102	30 065	7 582	-
Rexfor	59 250	20 180	79 430	9 989	89 419	158 282	26 121	132 031	525	-
SQT[b]	42 108	125	42 233	(35 524)	6 709	143 579	73 793	100 713	(6 460)	18 000
Madelipêche[b]	5 175	7 878	13 053	(3 511)	9 542	19 871	7 208	11 200	(815)	1 491
SDBJ[b]	60 000	-	60 000	(59 280)	720	16 145	338	3 253	(23 733)	12 600
SEPAQ[e]	-	-	-	-	-	-	-	-	-	-
SOQUIA	51 800	300	52 100	3 204	55 304	58 137	-	7 925	1 753	-
TOTAL	5 924 315	116 143	6 040 458	1 217 590	7 258 048	30 518 381	19 474 546	7 598 615	319 532	20 537 982

a. For the year ending closest to March 31, 1985
b. As at December 31, 1984
c. Including an extraordinary loss of $343.3 million related to the shutdown of SNI
d. Including a provision of $75.6 million for the acquisition of Mines SNA stock
e. At March 31, 1985, SEPAQ had not yet completed its first fiscal year

SOURCE: Financial statements of the corporations and Public Accounts, 1984-1985, Volume 1

Appendix 3

QUÉBEC GOVERNMENT ENTERPRISES
AS AT MARCH 31, 1988

(in thousands of dollars)

CROWN CORPORATION	GOVERNMENT EQUITY					FINANCIAL DATA				
	CAPITAL-STOCK	LOANS & ADVANCES	GOVERNMENT INVESTMENT	ACCUMULATED SURPLUS (DEFICIT)	GOVERN-MENT EQUITY	TOTAL ASSETS	LONG-TERM DEBT	TOTAL REVENUE	NET EARNINGS	GUARANTEED BORROWINGS
	(1)	(2)	(3 = 1 + 2)	(4)[a]	(5 = 3 + 4)	(6)[a]	(7)[a]	(8)[a]	(9)[a]	(10)[a]
Hydro-Québec[b]	4 374 109	-	4 374 109	3 157 000	7 531 109	31 659 000	21 750 000[c]	5 095 000	508 000	21 984 000
Loto-Québec	170	-	170	11 026	11 196	68 784	-	1 036 491	380 050	-
SAQ	30 000	-	30 000	633	30 633	212 454	-	1 007 655	370 078	-
Sidbec[b]	564 334	72 705	637 039	(760 729)	(123 690)	554 635	512 239	569 529	7 574	484 294
SGF[b]	347 500	-	347 500	322 248	669 748	1 140 405	212 500	492 725	193 966	283 000
SNA	158 369	1 825	160 194	(298 848)	(138 654)	93 373	206 983	6 353	(20 798)	194 000
SOQUEM	110 600	-	110 600	(3 040)	107 560	123 514	-	40 022	6 901	-
SOQUIP	213 900	-	213 900	(81 100)	132 800	166 212	25 201	46 486	(38 894)	-
Rexfor	107 500	14 780	122 280	22 670	144 950	212 677	37 525	157 899	15 595	-
SDT[b]	43 680	-	43 680	(45 175)	(1 495)	10 161	-	380	(1 333)	4 500
SIQ	80 001	139 985	219 986	9 925	229 911	890 952	477 501	347 521	8 685	449 000
SÉPAQ	28 288	-	28 288	(2 214)	26 074	41 022	10 041	19 019	(1 077)	-
SOQUIA[d]	55 800	152	55 952	20 664	76 616	87 207	-	15 275	14 517	-
TOTAL	6 114 251	229 447	6 343 698	2 353 060	8 696 758	35 260 396	23 231 990	8 834 355	1 443 264	23 398 794

a. For the year ending closest to March 31, 1988
b. As at December 31, 1987
c. Including a provision of $552 million
d. As at May 31, 1987

SOURCE: Financial statements of the corporations and Public Accounts, 1987-1988, Volume 1

Appendix 4

VALUE OF PRIVATIZATION TRANSACTIONS

(in millions of dollars)

TRANSACTIONS	VALUE OBTAINED	PAYMENT IN CASH AND CAPITAL-STOCK	DEBT ASSUMED BY PURCHASER	BALANCE OF PURCHASE PRICE	
				$	SPECIAL CONDITIONS
RSQ	43,2	3,2	-	40,0	Debenture maturing September 1, 1999 and bearing interest at 8.5% per annum, payable quarterly
SOQUEM:					
- Cambior Inc.	180,0	100,0 70,0[a]	10,0	-	
- Société minière Louvem Inc.	8,4	2,8	-	5,6	Debenture maturing November 1, 1988 and bearing interest at the prime rate, payable quarterly
- Mines Seleine Inc.	35,0	35,0	-	-	
SQT - Québecair	73,8	8,6	65,2	-	
SGF - Donohue Inc.	320,0	320,0	-	-	
SOQUIP-Alberta	196,5	148,8 40,0[b]	7,7	-	
SOQUIA:					
- Provigo Inc.	48,4	48,4	-	-	
- J.E. Landry Inc.	3,3	2,9	0,4	-	
- Pêches Nordiques Inc.	7,0	2,5	4,5	-	The debt assumed is due to SOQUIA in 1992 and bears interest at 10.5% per annum, payable annually
- Société des pêches Newport Inc.	3,5	2,0	-	1,5	Debenture maturing in 1998, bearing interest at 11% per annum, payable monthly
MADELIPÊCHE INC.	16,1	1,1	15,0	-	

Appendix 4

VALUE OF PRIVATIZATION TRANSACTIONS

(in millions of dollars)

TRANSACTIONS	VALUE OBTAINED	PAYMENT IN CASH AND CAPITAL-STOCK	DEBT ASSUMED BY PURCHASER	BALANCE OF PURCHASE PRICE	
				$	SPECIAL CONDITIONS
CRUSTACÉS-DES-ILES INC.	4,6	0,3	1,5	2,8	Debenture maturing in 2006, interest-free
GRANDE-ENTRÉE	0,5	0,2	-	0,3	Debenture maturing in 1997, bearing interest at 8% per annum, payable annually
SNA:					
- Distex-SNA Inc.	5,7	3,2	2,5	-	
- Lupel-SNA Inc.	5,6	5,6	-	-	
- Filaq-SNA Inc.	0,3	0,02	0,21	0,07	Debenture bearing interest at the prime rate, payable in annual instalments equal to 15% of cash flow
- Industries 3-R Inc.	0,2	0,02	0,11	0,07	Debenture bearing interest at the prime rate, payable in annual instalments equal to 15% of cash flow
REXFOR:					
- Papiers Cascades (Cabano) Inc.	11,0	8,5	-	2,5	The balance was paid December 31, 1987
- Panofor Inc.	14,0	14,0	-	-	
- Scierie des Outardes Enr.	20,0	6,5	9,0	4,5	
TOTAL	997,1	823,64	116,12	57,34	

a. SOQUEM received 7 million common shares of Camior Inc. issued at $10.00 each.
b. SOQUIP received 8 million common shares of Sceptre Resources Ltd. at $5.00 each.

Appendix 5

APPLICATION OF MONIES OR SECURITIES RECEIVED OR RECEIVABLE

(in millions of dollars)

TRANSACTIONS	AMOUNTS RECEIVED OR RECEIVABLE	STOCK PORTFOLIO OF THE CORPORATION	INVESTMENTS IN THE CORPORATION	PAYMENT TO THE CONSOLIDATED REVENUE FUND	DEBTS AND EXPENSES	MINORITY INTERESTS	DETAILS
RSQ	43,2	-	-	-	43,2	-	Partial payment of debts incurred by RSQ, amounting to $51.6 million
SOQUEM:							
- Cambior Inc.	170,0	70,0	4,0	-	96,0	-	Payment of debt incurred by SOQUEM for the development and operation of Mines Seleine Inc.
- Société minière Louvem Inc.	8,4	-	8,4	-	-	-	
- Mines Seleine Inc.	35,0	-	-	25,6	9,4	-	Payment of current Seleine debts. The payment to the Consolidated Revenue Fund will require legislation
SQT - Québecair	8,6	-	-	-	8,6	-	Partial payment of debts incurred by SQT
SGF - Donohue Inc.	320,0	-	100,2	35,6	39,9	144,3	SGF paid back a $15.6 million advance from the government and paid a dividend of $20.0 million. Dofor paid off the debts
SOQUIP-Alberta	188,8	40,0	-	-	148,8	-	SOQUIP paid off the debts incurred to acquire the assets of Sundance
SOQUIA:							
- Provigo Inc.	48,4	-	11,4	37,0	-	-	SOQUIA paid a dividend of $37.0 million to the government
- J.E. Landry Inc.	2,9	-	2,9	-	-	-	
- Pêches Nordiques Inc.	2,5	-	2,5	-	-	-	
- Soc. des pêches de Newport Inc.	3,5	-	3,5	-	-	-	

Appendix 5

APPLICATION OF MONIES OR SECURITIES RECEIVED OR RECEIVABLE

(in millions of dollars)

TRANSACTIONS	AMOUNTS RECEIVED OR RECEIVABLE	STOCK PORTFOLIO OF THE CORPORATION	INVESTMENTS IN THE CORPORATION	PAYMENT TO THE CONSOLIDATED REVENUE FUND	DEBTS AND EXPENSES	MINORITY INTERESTS	DETAILS
MADELIPÊCHE INC.	1,1	-	-	1,1	-	-	The government held the Madelipêche stock
CRUSTACÉS-DES-ILES	3,1	-	-	3,1	-	-	The government held the Crustacés-des-Iles stock
GRANDE-ENTRÉE	0,5	-	-	0,5	-	-	The government owned the assets
SNA:							
- Distex-SNA Inc.	3,2	-	3,2	-	-	-	
- Lupel-SNA Inc.	5,6	-	5,6	-	-	-	
- Filaq-SNA Inc.	0,09	-	0,09	-	-	-	
- Industries 3-R Inc.	0,09	-	0,09	-	-	-	
REXFOR							
- Papiers Cascades (Cabano) Inc.	11,0	-	11,0	-	-	-	
- Panofor Inc.	14,0	-	14,0	-	-	-	The proceeds were held by FORPAN, a corporation owned by Rexfor and Unikunz Canada
- Scierie des Outardes Enr.	11,0	-	11,0	-	-	-	
TOTAL	880,98	110,0	177,88	102,9	345,9	144,3	

Appendix 6

INVESTMENTS OF CROWN CORPORATIONS

(in millions of dollars)

	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986*	1987*
HYDRO-QUÉBEC	**1 942**	**2 563**	**2 798**	**2 576**	**2 627**	**2 525**	**2 203**	**1 785**	**1 493**	**1 492**	**1 928**
- Annual percentage change	(53,2)	(32,0)	(9,2)	(-7,9)	(2,0)	(-3,9)	(-12,8)	(-19,0)	(-16,4)	(-0,1)	(29,2)
- As a percentage of gross domestic product	(3,72)	(4,41)	(4,31)	(3,57)	(3,22)	(2,93)	(2,39)	(1,77)	(1,37)	(1,25)	(1,48)
OTHER CROWN CORPORATIONS	**439**	**83**	**108**	**144**	**186**	**402**	**382**	**418**	**257**	**230**	**295**
- Annual percentage change	(-26,2)	(-81,1)	(30,1)	(33,3)	(29,2)	(116,1)	(-5,0)	(9,4)	(-38,5)	(-10,5)	(28,3)
- As a percentage of gross domestic product	(0,84)	(0,14)	(0,17)	(0,20)	(0,23)	(0,47)	(0,41)	(0,41)	(0,24)	(0,19)	(0,23)
TOTAL	**2 381**	**2 646**	**2 906**	**2 720**	**2 813**	**2 927**	**2 585**	**2 203**	**1 750**	**1 722**	**2 223**
- Annual percentage change	(27,9)	(11,1)	(9,8)	(-6,4)	(3,4)	(4,1)	(-11,7)	(-14,8)	(-20,6)	(-1,6)	(29,1)
- As a percentage of gross domestic product	(4,56)	(4,55)	(4,48)	(3,77)	(3,45)	(3,40)	(2,80)	(2,18)	(1,61)	(1,44)	(1,71)

* Real preliminary expenditures for 1986 and mid-year revised forecasts for 1987

SOURCE: Bureau de la Statistique du Québec, Investissements privés et publics au Québec, 1976-1978 to 1985-1987